CLARKE COUNTY
FLEXIBLE BENEFITS MANUAL

A publication of
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Sample Salary Comparison

How much can you save with the Clarke County Flexible Benefits Plan?

Mr. Smith earns an annual salary of $25,000 or $2,080 per month, and pays for family insurance coverage under the Clarke County Group Health Insurance Program. His County Health Insurance Premiums are pretax. Mr. Smith has designated $500 annually ($41.67 per month) to a Health Care Spending Account.

The $41.67 monthly contribution for medical expenses will be returned on a tax-free basis when Mr. Smith incurs eligible expenses and files claims.

Result: Mr. Smith has increased his spendable income $61.83 per month, $742 per year, by electing to participate in two of the three benefit options available under the Clarke County Flexible Benefits Plan.

The above figures were calculated based on a married individual, filing jointly, with two exemptions and 7.65% FICA tax.

Annual Savings Illustration

Annual Salary	$ 25,000
Employee's Portion of Annual Insurance Premiums	$ 2,303
Medical Expenses	$ 500

	Without Plan	With Plan
Gross Pay	$ 25,000	$ 25,000
Pretax Premiums	-	2,303
Pretax Deductions	-	500
Taxable Gross	25,000	22,197
FICA	1,913	1,698
Federal Withholding	2,496	2,136
VA Withholding	948	780
Net Pay	19,644	17,583
Non-Pretaxed Expenses (After Net Payouts) Premiums	2,303	-
Medical Expenses	500	-
Spendable Income	$ 16,841	$ 17,583
Tax Savings on insurance premiums:		$ 610
Tax Savings on Medical Expenses:		$ 132
Total Tax Savings:		$ 742

*Married, 2 exemptions, family health insurance, $500 in medical expenses shown for illustration purposes.

INTRODUCTION TO FLEXIBLE BENEFITS

The Clarke County Flexible Benefits Plan is qualified under Section 125 of the Internal Revenue Code, established by the U.S. Congress in the Revenue Act of 1978. Pretax payments can be used to cover employee contributions for health insurance, life insurance, as well as other selected health care and dependent day-care expenses. This favorable tax treatment gives the employee increased purchasing power. The Clarke County Flexible Benefits Plan allows you to increase your spendable income in three ways:

- Your health insurance premiums are deducted from your salary on a pretax basis. Pretax means your premiums are paid before your federal income tax, state income tax, and social security taxes are calculated.
- You can establish a Health Care Spending Account to reimburse you for certain eligible out-of pocket medical expenses on a pretax basis, or a Health Savings account if you opt for our high deductible insurance plan and aren't covered under any other policy.
- You can establish a Dependent Daycare Spending Account to reimburse you for eligible dependent day-care expenses on a pretax basis.

As a county employee, you may take advantage of **any or all** of the above benefits offered under the Clarke County Flexible Benefits Plan.

The Plan Year for the Flexible Benefits Plan (the Plan) runs from July 1 to June 30. Participation in any component of the Plan **cannot be changed or cancelled during the Plan Year** unless you experience a specific "qualifying status change" event. (Refer to the section called "**Qualifying Status Changes**" for more information.

The enrollment period for the Plan runs from May 1 to May 15 of each year. You can enroll by completing the Flexible Benefits Program Enrollment Form and returning it to the Finance Department by the May 15 deadline.

The Healthcare Spending and Dependent Daycare account benefits are yearly elections. You must enroll every year even if you do not plan to change your benefits.

HOW PRETAX PREMIUMS WORK FOR YOU

When You Participate

When you choose to pay your insurance premiums through the Pretax Premium Plan component, your premiums are deducted from your salary first, before federal income taxes and Social Security taxes are calculated. You save money by not paying taxes on the portion of your salary that pays insurance premiums. The example on page 1 illustrated how the Pretax Premium Component can work for you.

Any reduction in your taxable pay for Social Security purposes may also lead to a reduction in your social security benefits. For most employees, the reduction in Social Security benefits will be insignificant compared to the value of paying lower taxes today.

You will automatically participate in the Pretax Premium Component of the Clarke County Flexible Benefits Plan when you enroll and pay insurance premiums.

The Pretax Premium Worksheet later in this manual will give you an estimate of the tax savings you may enjoy when your premiums are pretax.

REIMBURSEMENT ACCOUNTS

Who is eligible?

All salaried employees are entitled to participate in Medical and/or Dependent Daycare Spending Accounts. Hourly employees are not eligible. If you are unsure of your eligibility status, please check with the County's payroll coordinator.

Family members who are eligible for coverage include your:

- spouse,
- Anyone who can be claimed as a dependent on your tax return

How Spending Accounts Work

Spending accounts let you pay for eligible medical and/or eligible dependent day-care expenses on a pretax basis. You elect to have your gross salary reduced and put that amount of money into the reimbursement account based on the amount you expect to spend on eligible medical expenses or dependent day-care expensed during the Plan Year. The amount you choose will automatically be credited to your reimbursement account throughout the year before your taxes are computed.

Please note that any reduction in your taxable pay for Social Security purposes may also lead to a reduction in your Social Security benefit. However, for most employees, the reduction in benefits is insignificant compared to the value of present tax savings. Your benefits from VRS are not affected in any way by your participation in the Flexible Benefits Plan. VRS benefits are calculated on your gross salary before pretax premiums or reimbursement account contributions are deducted.

As you incur eligible expenses, you will submit a claim to Wage Works, along with the required documentation, for reimbursement. The date you receive the services is the date the expenses were incurred, not the date when you pay for the services. Yes, you may submit a request for reimbursement before you pay for the services.

Please note that you cannot claim any expense as both a deduction on your federal tax return and as a reimbursed item from your reimbursement account.

Reimbursement for expenses covered under a health plan

Employees must submit expenses through their group health plan. If they have coverage through a spousal plan, they must submit expenses to both carriers before submitting the expenses to the Health Care Spending Account. Once processed by the group health plan carrier(s), the completed Reimbursement Account Claim Form and a copy of the Explanation of Benefits should be submitted to Wage Works.

Reimbursements for expenses not covered under a health plan

Reimbursement claims are process by WageWorks. The Flexible Spending Account Claim Form, located at http://takecarewageworks.com/ee/ee_fac.html should be completed with the itemized bills for the expense attached.

After reviewing and processing your claim, WageWorks will reimburse you from the funds in your account by check, unless you opt for direct deposit. You can set up that option by logging into your online account at http://takecarewageworks.com and updating the direct deposit information located under user info. (For medical expenses, reimbursement can be made up to your annual election amount at any time and is not based on deposit amounts.) The result is that your eligible medical and dependent day-care expenses are reimbursed with money that is not taxed, and your spendable income is increased.

Employees also have the option of using a debit card for use with their Healthcare Spending account and/or their Dependent Daycare account.

This card will be sent to you upon enrollment. . You are responsible for maintaining all receipts and submitting them to WageWorks as requested.

This card may be used only for eligible expenses. If an ineligible expense is charged to the card, you will be required to reimburse your account for that amount. Failure to reimburse your account for any ineligible expenditure that may occur or failure to submit receipts when requested will result in the inactivation of the debit card.

Health Care Spending Accounts

Many medical expenses are deductible from your income by itemizing them on your federal income tax return. Tax laws permit medical expenses that exceed 10% of your adjusted gross income to be deductible. Since most of us do not have enough medical expenses to exceed the 10% level, this is where a Health Care Spending Accounts (HCSA) can help.

While many medical expenses are difficult to foresee, based on your family size and past expenses, you can make a prediction as to how much expense you will have during the upcoming year. The Health Care Spending Account Worksheet makes it easy to assess your expense history and will assist you in determining how much your annual election should be. The Plan advises that you be conservative in your election amount due to the forfeiture rules that exist. Please be sure to read the "Use It or Lose It" explanation elsewhere in this manual.

The minimum annual election for the Health Care Spending Account is $60 and the maximum is $2,500.

The following contains information on what expenses are eligible and ineligible for reimbursement from the Plan. Keep these pages available should you have questions regarding the eligibility of expenses during the year.

Expenses eligible for reimbursement are those covered under revenue code §213(d), unless expressly excluded in this document.
Please note that you cannot claim any expense as both a deduction on your federal tax return and as a reimbursed item from your reimbursement account.

Eligible Health Care Expenses

You may use your Health Care Spending Account (HCSA) to reimburse yourself for the following health care expenses incurred during the year:

- Deductible amounts you pay under your health care insurance plan or under your spouse's plan
- The portion of covered expenses that you have to pay (co-payments and coinsurance) for any medical bills after you have met your deductibles
- Any amounts that you are required to pay after any maximum benefit under a health care plan has been paid
- Other health care expenses not covered by an insurance plan that otherwise would be eligible for deduction when you file your tax return as listed below. Abdominal supports
  - Abdominal supports
  - Acupuncture
  - Alcoholism treatment
  - Ambulance services
  - Anesthetist
  - Arch supports
  - Artificial limbs
  - Back supports
  - Braille books & magazines
  - Breast reconstruction surgery following a mastectomy
  - Car controls for the disabled
  - Chiropractors
  - Christian Science practitioners
  - Contact lenses (corrective) and supplies
  - Contraceptive devices (prescription)
  - Co-payments and deductibles not covered by medical or dental insurance
  - Crutches
  - Dental treatments, excluding whitening and other cosmetic procedures
  - Dentures
  - Dermatologists (if not cosmetic)
  - Diagnostic devices
  - Drug addiction therapy
  - Experimental medical treatment – for the treatment of a diagnosed disease

- Eye examinations
- Eyeglasses
- Eye surgery to treat defective vision
- Fertility Enhancement
- Guide Animal for visually or hearing impaired
- Hearing aids
- Hospital fees
- Insulin
- Laboratory Fees
- Licensed Practical Nurse (LPN) for medical services only
- Mileage (@ 12 cents per mile; requires receipt from a doctor verifying dates and distance traveled for treatment)
- Nursing services
- Obstetricians (only for services that actually have been performed during the plan year)
- Occupational therapy
- Ophthalmologists
- Optician
- Optometrists
- Orthodontia – see Reimbursement exceptions
- Orthopedic shoes
- Orthopedists
- Osteopaths
- Eligible Over the Counter Medications – with a doctor's prescription
- Oxygen
- Pediatrician
- Physician's fee
- Physiotherapist
- Podiatrists
- Prenatal care
- Eligible prescription drugs
- Psychologists
- Psychotherapy
- Reconstructive surgery
- Routine physicals
- Sanitarium stays
- Seeing-eye dogs
- Special home for mentally disabled
- Surgery if medically necessary
- Sterilization
- Eligible surgical fees (not cosmetic)
- Telephone (specifically equipped for hearing impaired)
- Transplants (not cosmetic)
- Tuition at special school for disabled
- Vaccines
- Vasectomy
- Weight loss programs – if for a specific disease diagnosed by a physician. You may include the cost of membership in a weight reduction group and attendance at regular meetings. You may not include food and gym membership
- Wheel chair
- Wig – if purchased on the advice of a physician for a patient who has lost their hair from disease
- X-ray fees

For these expenses to be eligible, they must be considered medically necessary and prescribed by your physician.

**All the above services must be rendered for reimbursement to be made.*

Reimbursement Exceptions

A part of the reimbursement process is matching expenses to date of service and usually is a very clear and simple process. However, there are exceptions in the expense-date relationship for orthodontic and obstetric related expenses.

These two types of services often require provider payment methods such as down payments, records fees, lump sum payment for services that will be given in the future, etc. In these cases, the Plan must allocate reimbursement dollars for services and spread these reimbursements over the length of the time the services are rendered. While the participant might pay the provider a lump sum amount, the Plan cannot make a lump sum reimbursement unless, of course, the claim is filed after the completion of the services and only for the portion of services that took place in a given Plan Year Period.

For Orthodontic related expenses, the participant may file claims and be reimbursed using one of two methods:

Method one: Initially reimburse up to 10% of the total contracted amount, followed by equal monthly payments for the remainder of the services/expenses.

Method two: Level monthly reimbursements throughout the duration of services.

For Obstetric related expenses, the Plan is able to reimburse in one of these two ways:

Method one: Reimburse billed services as they occur. Any remaining expenses may be reimbursed upon delivery.

Method two: Lump sum reimbursement after delivery.

Once established, the schedule of claiming expenses and method of reimbursement must be maintained for the life of the service.

Over-the-Counter Medications

Over-the-Counter (OTC) items, medicines and drugs are no longer eligible for reimbursement without a doctor's prescription effective January 1, 2011.

These products are considered cosmetic or used primarily for general health purposes. ***The following products are not eligible for reimbursement, even with a prescription from a physician.***

-
- Cosmetics
- Deodorants
- Diapers & wipes - infant
- Face creams & cleansers
- Feminine hygiene products
- Hair growth treatments
- Hair removal treatments and waxes
- Lip balm
- Lotions and moisturizers
- Mouthwash
- Multi-vitamins
- Sundry items – cotton balls, Q-tips, etc.
- Teeth whitening kits and products
- Toiletries – soap, shampoo, toothpaste, toothbrush
- Wrinkle reducers

Ineligible Health Care Expenses

Medical and dental insurance premiums cannot be reimbursed through the account. In addition, elective cosmetic surgery and similar expenses are not allowable expenses according to Internal Revenue Provisions. Other common ineligible expenses include:

- Anti-baldness drugs
- Cosmetic procedures
- Cost of dancing or swimming lessons, even if recommended by your doctor
- Dental procedures to whiten your teeth (bleaching)
- Diaper service
- Electrolysis
- Expenses for trips, even for general health improvement
- Future medical care
- Hair transplant
- Health club dues
- Household help
- Insurance premiums
- Illegal operations and treatment
- Maternity clothes
- Medical Savings Accounts
- Nutritional Supplements
- Programs to stop smoking
- Toothpaste, cosmetics, and toiletries
- Weight loss programs and appetite suppressants – if not for the treatment of a specific disease diagnosed by a physician (such as obesity, hypertension and heart disease.) Even in the case of treatment of a diagnosed disease, special diet foods are ineligible expenses.

Terminations

If you participate in a Health Care Spending Account, once enrolled, you are required to pay the annual election amount, even if you terminate your employment. Upon termination, the remaining election amount will be deducted from your final pay. You will, of course, continue to submit eligible expenses for reimbursements throughout the remainder of the plan year. If the amount of your final paycheck is insufficient to cover the remaining contribution due, you are liable for the balance and payment of claims may be suspended until payment is received.

Dependent Daycare Spending Account

If you have dependent children, or a disabled or elderly dependent, you know how day-care fees can take a substantial portion of your salary. Fortunately, these expenses are fairly predictable. It is easy to calculate the election for your Dependent Daycare Spending Account. However, careful planning is still necessary to avoid forfeiture of unused money at the end of the Plan Year. (See the "Use It or Lose It" section of this manual.)

If you establish a Dependent Daycare Spending Account, you cannot take advantage of the federal childcare tax credit for the same expenses. You should complete the Dependent Daycare Account Worksheets located later in this manual to determine whether you will save more on taxes by using a Dependent Daycare Account or the child care tax credit. If you have any questions on which is better for you, consult your tax advisor or your local IRS office. Remember, each case is different, so consult your tax advisor or the IRS.

The maximum you can contribute to your Dependent Daycare Spending Account is $5,000 during any calendar year (or $2,500 if married filing separately). The minimum you can designate is $60 per year. You may not contribute more than the lower of either your or your spouses earned income. If your spouse is a full-time student and does not work, the spouse will be deemed to have an income of $200 per month if they have one child or $400 per month if they have two or
more children. If you are married, your spouse must be gainfully employed, actively seeking employment, a full-time student, or disabled in order for you to participate in a Dependent Daycare Spending Account.
To submit a claim, the Reimbursement Account Claim Form needs to be completed. The provider of services, the dates of service and the amount of the charge should be provided.

The dependent care provider must sign the claim form verifying charges incurred, or must submit a receipt from the provider for services rendered. **An original signature is required**. A claim form must be submitted for each reimbursement.

Under a Dependent Daycare Spending Account, the employee will be reimbursed for expenses up to the amount actually deposited in their account to date, minus any reimbursements already paid. The employee will receive a payment up to their account balance, providing their balance is at least the minimum claim payment amount. The unpaid portion will be held for future payment. Each reimbursement period the employee will receive payment up to their current account balance until their entire claim has been reimbursed, subject to the minimum payment amount.

Once you have elected your contribution amount, it cannot be changed unless you have a qualifying status change. Recent additions as qualifying status changes are as follows:

- If your daycare provider moves and the new daycare provider charges a different rate.
- If the cost for child care changes during the year due to a change in the status of the dependent, such as a child reaching a certain age and being moved to an older class that costs less, or when a child becomes entitled to a reduced fee.
- If a child becomes seriously ill and can no longer go to daycare.
- If there are problems with the competency of the daycare provider and a new daycare provider is selected that charges a different rate.

An election change is not allowed if the employee clears a waiting list for a new daycare provider and the cost of the daycare changes.

Daycare expenses paid while a parent is on disability leave are not qualified expenses unless the parent is physically or mentally unable to care for themselves.

In order to be eligible the care must be primarily custodial in nature and you must be at work or attending classes while the care is being provided. Generally, in order to be eligible, one of the following guidelines must be satisfied:

- Your spouse must be working outside the home
- You must be a single parent
- Your spouse must be a full-time student at least five months during the year while you are working
- You are divorced and the child is in your custody

Tax I.D. Number

You must report on your tax return the correct name, address, and taxpayer identification number (TIN) of your dependent care provider to claim exclusion for employer-provided benefits or the dependent care credit.

You must obtain and keep on file a form W-10, Dependent Care Provider's Identification and Certification. If you fail to do so, you are not entitled to either the Section 21 credit or the Section 129 exclusion.

Eligible Daycare Expenses

Day-care expenses must be for services that are required to allow you and your spouse to be gainfully employed.

These include:

- Care for your dependent children under age 13 by a daycare center, nursery school, or baby-sitter. The caregiver may be a relative, but not another dependent. The services may be provided either inside or outside your home;
- Care for an elderly dependent, your spouse or any other legal dependent who is physically or mentally incapable of self-care, and who spends at least eight hours a day in your home;
- Registration fees for daycare. However, if the fee is paid to reserve a space at a later date, the reimbursement cannot be made until the service is actually rendered;
- Day camp. Does not include overnight camp.

Any type of dependent care that could be claimed if the employee were filing for a credit for income tax purposes is eligible for reimbursement under the Dependent Daycare Spending Account.

Ineligible Daycare Expenses

- Dues or membership;
- Educational fees;
- Entertainment fees; (tickets, movies, skating, etc.)
- Fees for meals;
- Transportation fees;
- Fees for materials;
- Extra fees charged for late payments;
- Fees paid for children over 13 years of age.

Expenses must be for the care of eligible dependents and do not include educational costs, meals and incidentals. Internal Revenue Code regulations define educational expense as those for grades 1-12.

The participant must provide a ***signed*** receipt, which includes the dependent's name, caregiver's address, dates of service, amount charged, and a federal tax ID or Social Security number. You must attach this receipt to the completed Reimbursement Account Claim Form. If the caregiver or daycare center is non-profit, they do not have to provide a federal ID or Social Security number. However, this must be stated on the claim form.

IMPORTANT CONSIDERATIONS

Transferring Funds

You may not transfer money between the Health Care and Dependent Daycare Spending Accounts. Each account is a separate account and must be used only for the appropriate expense incurred. For example, if you submit a claim for dependent day-care expenses of $100, but the current balance in your Dependent Daycare Account is only $50, the additional $50 cannot be paid from your Health Care Spending Account.

"Use It or Lose It" Rule

The Federal government has placed restrictions on reimbursement accounts. One restriction requires that any money remaining in your account(s) after you have submitted all claims for the Plan Year ending June 30 must be forfeited. Beginning with the FY 15 plan year (July 1, 2014 to June 30, 2015), the 2 ½ month spend out period is replaced by the ability to carry any remaining balance in your Health Savings account up to $500 to the following plan year. Final request for reimbursement must be submitted by September 30. Balances in excess of $500 remaining from one Plan Year cannot be rolled over into the next Plan Year. This carryover only applies to Health Care Spending Account. The Dependent Day Care account does not have this carryover.

These rules makes planning and budgeting very important. If you overestimate your expenses and contribute too much money to your reimbursement account(s), you lose the excess at the end of the year. Do not overestimate your expenses; be conservative in the amount you designate to put into your reimbursement account(s).

Making Your Election(s)

When making your elections, some important questions to consider are:

1. Does my estimate of day-care expenses take summer breaks into consideration?
2. Does the estimate consider changes in the type of care being provided, e.g. Before and After-school Care expenses, changing to K-Care; ex. K-Care expenses ending-First grade starting.
3. Will any of your dependent(s) reach the age where they are no longer eligible for day-care reimbursement?

HOW TO FILE A CLAIM

Reimbursement claims are process by WageWorks. The Flexible Spending Account Claim Form, located at http://takecarewageworks.com/ee/ee_fac.html should be completed with the itemized bills for the expense attached.

After reviewing and processing your claim,WageWorks will reimburse you from the funds in your account by check, unless you opt for direct deposit. . You can set up that option by logging into your online account at http://takecarewageworks.com and updating the direct deposit information located under user info (For medical expenses, reimbursement can be made up to your annual election amount at any time and is not based on deposit amounts.) The result is that your eligible medical and dependent day-care expenses are reimbursed with money that is not taxed, and your spendable income is increased.
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Reimbursement Account Claim Form Instructions and Information

A single claim form may be used for reimbursement from both types of accounts. The proper documentation must be enclosed with the form in order to be considered for processing.

Failure to comply with the filing instructions will delay the receipt of your reimbursement.

Deadline for Filing Claims

You can submit claims throughout the Plan Year and up to September 30 of the following Plan Year. In other words, if you incur an eligible expense during the Plan Year of July 1 through June 30th (or the run-out period through September 15th for the FY 14 plan year only), you have until September 30 for that claim to arrive at the Wage Works offices. Remember that services must have been rendered during the time you were a Plan participant.

Balances remaining after the close of the Plan Year will be forfeited. Beginning with the FY 15 plan year (starting July 1, 2014), a balance of $500 or less may be rolled into the next plan year. Any balance above the $500 rollover maximum is still subject to use it or lose it rule and will be forfeited.

Special Note:
Do not wait to file your claims. File them as soon as you have the proper documentation. This will ensure that you remain updated on the amount available to you and eliminate the problem of misplacing some of your documentation.

Health Care Spending Account Requirements

The employee must submit expenses through their group health plan. If they have coverage through a spousal plan, they must submit expenses to both carriers before submitting the expenses to the Health Care Spending Account. Once processed by the group health plan carrier(s), the completed reimbursement claim and a copy of the Explanation of Benefits forms should be submitted to the finance department.

If the expenses are not covered by a group health plan, the reimbursement claim form should be completed with the itemized bills for the expense attached.

Dependent Daycare Spending Claim Requirements

To submit a claim, the Flexible Spending Account Claim Form, located at http://takecarewageworks.com/ee/ee_fac.html needs to be completed. The provider of services, the type of services, the dates of service and the amount of the charge should be provided.

Please make sure that the types of services provided are eligible for reimbursement under this account and that the receipt reads so that this is indicated. If the receipt indicates tuition, workbooks, swimming, piano, or other lessons, or any other ineligible expense, the claim will be returned unpaid.

Remember that daycare expenses are reimbursed when the services are rendered, not when the employee is billed. Therefore, if an employee prepays daycare for an entire month, the claim will be processed after the service is rendered.

The dependent care provider must sign the claim form verifying the charges incurred, or the employee must submit a signed receipt from the provider for services rendered. An original signature is required. A claim form must be submitted for each reimbursement.

Some Reminders About Reimbursement Claims

- The Plan will pay the amount requested on the claim form, not the total of the receipts, unless the amount requested is more than the total of the receipts.
- We must return any claim that is not correctly completed – dated, totaled, signed, and showing the employee name and social security number.
- All receipts must show the date of service, type of service and the amount charged. ***Cancelled checks or credit card slips are not qualified receipts***.
- All expenses must be incurred, and services must be rendered during the plan year. For example, an employee cannot be reimbursed for time payments on a hospital stay incurred before the plan year. The expenses must be incurred during the plan year.

Denial of Claims/Appeals Procedure

If a claim for payment of expenses under the Plan is denied, the Plan will provide written notice of the denial setting forth the specific reasons for the denial and a description of any additional material or information necessary. A claimant may request a review of a denial as follows:

Any claimant, or such claimant's duly authorized representative, whose application for benefits is denied, in whole or in part, may appeal for a review of the decision by submitting within 60 days after receiving written notice of the denial of the claim a written statement:

1. Requesting a review of the application for the benefits by the Plan Administrator.
2. Setting forth all of the grounds upon which the request for review is based and any facts in support thereof; and
3. Setting forth any issues or comments that the applicant deems relevant to the application.

The Plan Administrator shall make a full and fair review of each such application and any written material submitted by the applicant in connection therewith and may require the participant to

submit within 30 days following a written notice of additional facts, documents or other evidence as is deemed necessary or advisable in the sole discretion of the Plan Administrator in making such a review. Based on the review, the decision of the Plan Administrator on any application for benefits shall be final and conclusive upon all persons if supported by substantial evidence in the record.

CHANGES IN PLAN PARTICIPATION

Generally, elections you make under the Clarke County Flexible Benefits Plan **cannot be changed or cancelled** during the Plan Year. Once a year, an Open Enrollment will be conducted to allow employees to make benefit elections for the next Plan Year. Changes, such as increasing or decreasing contributions to the reimbursement accounts, may be made at that time.

Qualifying Status Changes

A participant can change benefits only during the Open Enrollment unless the participant experiences a specific "Qualifying Status Change." Qualifying Status changes must be made within 31 days of the event and must be in the payroll coordinator's office no later than the 15th of the month in order to be processed in the next payroll cycle.

1. **Changes in family or employment status, such as**

- Marriage, legal separation, or divorce of the participant;
- Death of a spouse or dependent;
- Birth or adoption or legal guardianship of a dependent;
- Change from part-time to full-time employment or vice versa for a participant or spouse;
- Change in health coverage attributable to the spouse's employment;
- Spouse's employment or termination of employment;
- Unpaid leave of absence of at least 31 days for employee or spouse;

Consistent with the Event – Changes in election will be considered in these instances, provided that the requested change is consistent with the nature of the event. For example, the birth of a child would allow a participant to change the amount designated to a Dependent Daycare or Health Care Spending Account or establish either account.

Changes must be made within 31 days of the event.

2. **Termination of participant's employment.**

If you leave county employment during the Plan Year, you may continue to file claims against any remaining funds in your Dependent Daycare Spending account without making any further deposits. The remaining contribution due on your Health Care Spending Account will be deducted from your final paycheck, and you may continue to file claims for the remainder of the plan year. If the amount of your final paycheck is insufficient to cover the remaining contribution due, you are liable for the balance and payment of claims may be suspended until payment is received.

3. **Qualifying status changes for dependent daycare may include the following**:

- Your daycare provider moves and the new daycare provider charges a different rate.
- The cost for child care changes during the year due to a change in the status of the dependent, such as a child reaching a certain age and being moved to an older class that costs less, or when a child becomes entitled to a reduced fee.
- A child becomes seriously ill and can no longer go to daycare.
- There are problems with the competency of the daycare provider and a new daycare provider is selected that charges a different rate. An election change is not allowed if the employee clears a waiting list for a new daycare provider and the cost of the daycare changes.
- Change in residence of the employee, spouse, or dependent that necessitates a change in dependent care arrangements.
- Open enrollment under other employer's plan.

4. **Qualifying status changes for health care spending accounts may include:**

- If a judgment, decree, or order from a divorce, legal separation, annulment, or change in legal custody requires that the employee provide health coverage for their

dependent child, the employee may increase their medical expense account to provide coverage for that dependent child. If the order requires that another individual cover the dependent child, the employee may change their medical expense account to revoke coverage for the dependent child.

- If an employee, their spouse or their dependent becomes entitled to Medicare or Medicaid, the employee may reduce the election with respect to the expenses of the person who has become entitled to Medicaid or Medicare. Further, if an employee, their spouse or their dependent loses eligible for such coverage, the employee may prospectively elect to commence or increase medical expense reimbursement account coverage of the person losing Medicare or Medicaid coverage.

Requests must be made by submitting a completed Enrollment Form, available from the payroll coordinator, to the finance department within 31 days of the event's occurrence. Documentation supporting the qualifying status change event (e.g., copy of marriage certificate, birth certificate, divorce decree, etc.) will be required. This form must be received by the 15th of the month in order for the change to take effect during the next payroll cycle.

HOW FLEXIBLE BENEFITS PLAN PARTICIPATION MAY AFFECT OTHER BENEFITS

When you participate in the Pretax Premium component and/or the Reimbursement Account component of the Clarke County Flexible Benefits Program, you save federal income, state income, and social security taxes. However, participation may affect the benefits you receive from other tax-deferred or employee benefit plans:

- **Social Security** – Over the long run, paying less Social Security taxes could slightly reduce your Social Security retirement or disability benefits. However, the taxes you save over the years should more than offset the slight reduction you might see at retirement.

- **Virginia Retirement System (VRS)** – Your benefits from the VRS are not affected in any way by your participation in the Flexible Benefits Plan. VRS benefits are calculated on your gross salary before pretax premiums or reimbursement account contributions are deducted.

- **Life Insurance and Pay Raise Calculations** – Your pay raises and the value of your group life insurance will continue to be based on your gross salary, before pretax premiums or reimbursement account contributions are deducted. Flexible Benefit Program participation will have no impact.

PRETAX PREMIUM WORKSHEET

To estimate the amount of tax savings you will gain utilizing the pretax premiums component of the Clarke County Flexible Benefits Program, use the steps listed below.

Requirements for Pretax Premiums:
Participants must pay a portion of their Group Health Insurance premiums.

1. Participant's taxable income: _____
   (a) Percentage from the table below that corresponds to taxable income: _____
2. Annual Health Care Spending Account election _____
   5. Multiply line 2 by the tax rate 1a.
   Total tax saving with Pretax Premiums: _____

Simplified Marginal Tax Table*

	Estimated Federal/FICA Taxes		
Total Earned Income	Single	Head of Household	Married
$0-$5,000	20.65%	20.65%	20.65%
$5,000 - $10,300	22.65%	22.65%	22.65%
$10,300-$17,000	27.65%	27.65%	22.65%
$17,000 - $23,550	28.40%	28.40%	23.40%
$23,550 - $33,960	28.40%	28.40%	28.40%
$33,960 - 72,150	38.40%	38.40%	28.40%
$72,150 - $79,725	38.40%	38.40%	38.40%
$79,725 - 102,000	41.40%	41.40%	38.40%
$102,000 - 137,850	37.20%	37.20%	34.20%
$137,850-$166,500	37.20%	37.20%	37.20%
$166,500-$207,700	42.20%	42.20%	37.20%
$207,700-$359,650	42.20%	42.20%	42.20%
$359,650-$365,100	44.20%	44.20%	42.20%
$365,100+	44.20%	44.20%	44.20%

*Based on 2008 tax rates

HEALTH CARE SPENDING ACCOUNT WORKSHEET

A health care spending account enables you to pay for eligible health care expenses, not paid for by a health insurance program with before tax dollars. Below are some eligible expenses, which will help you determine the amount to elect for a Health Care Spending Account. Be conservative and estimate only the cost of the claims you are certain you will incur during the Plan Year, since unused money in your account will be forfeited. Expenses must be for services rendered during the Plan Year, July 1 through June 30, in which you are a plan participant.

Medical

	Last Year	This Year
Deductibles	$	$
Co-payments		
Pap-smear		
Physicals		
Immunizations		
Prescription Drugs		
Laboratory Fees		
Other		

Dental

Deductibles		
Co-payments		
Extractions		
Orthodontics*		
Cleaning & Filling		
Root Canal		
Dentures, bridges & crowns		
Other		

Vision

Glasses		
Contacts & Supplies		
Eye Exam		
Prescription Sunglasses		
Vision correction surgery		

Hearing

Hearing Exam	$	$
Hearing Aids		
Special Batteries		
Phone for Hearing Impaired		

Diabetic Supplies

Insulin		
Glucometer		
Syringes & Needles		

Birth Control Devices

Prescriptions		
Sterilization		

Therapy

Physical Therapy		
Learning Disability		
Psychiatric Care		
Psychologist Fees for Medical Care		

Stop Smoking

Cessation Programs		
Prescriptions		

Mental & Physical Impairments

Car Controls		
Special Telephone		
Walker		
Service Animals		
Wheelchair		
Crutches		

Over-the-Counter Medications – requires prescription from your physician beginning 1/1/11. Must be purchased in amounts to be used during the plan year. Stockpiling is not allowed.

Allergy remedies		
Birth control		
Antacids		
Antidiarrheals		
Anti-fungals		
Asthma		
Cold Remedies		
Corn/callous removers		
Electrolyte drinks for children's dehydration		
Eye products		
First Aid		
Head Lice		

Treatment		
Hemorrhoid	_____	_____
Laxative	_____	_____
Menstrual Pain	_____	_____
Motion Sickness	_____	_____
Pain remedies	_____	_____
Pregnancy Test Kits	_____	_____
Rash treatments	_____	_____
Vaginal product/yeast infection	_____	_____
Wart removal	_____	_____
	Other	
Other eligible expenses	_____	_____
Total HCSA eligible expenditures	_____	_____

DEPENDENT DAYCARE SPENDING ACCOUNT WORKSHEET 1

Eligible Dependents:

- Dependent children under age 13.
- Disabled spouse who requires care allowing you to work.
- Disabled dependent(s) incapable of self-care.

Note: Disabled or elderly dependents must regularly spend at least eight hours a day in the participant's home.

Requirements for Eligibility:

- Care must be necessary to enable participant (and spouse, if married) to be gainfully employed or to attend school full-time.
- The annual contribution must NOT be greater than the spouse's income or the participant's income, whichever is less.
- Services may not be provided by participant's minor child or dependent.
- Services must be for physical care, not education, meals, transportation, etc.
- You must provide the name, address, and taxpayer identification number or social security number of the caregiver and the dates of service and dependent's name and amount charged. Receipts must be signed by the daycare provider.

Limits

Minimum Annual Contribution - $60

Filing Status on Tax Return	Calendar Year Maximum
Married Filing Separately	$ 2,500
Married Filing Jointly	$ 5,000
Single	$ 5,000

No more than $5,000 can be contributed into your Dependent Daycare Spending Account during any calendar year.
Consider changes in the types of care that will be provided throughout the upcoming Plan Year.

Estimated Expenses:	Last Year Actual	This Year Anticipated
Daycare/Before and After School Care	$ _____	$ _____
Nursery School	$ _____	$ _____
Other Eligible Care	$ _____	$ _____
Total Cost	$ _____	$ _____

DEPENDENT DAYCARE SPENDING ACCOUNT WORKSHEET 2

Use this worksheet to estimate savings. Then decide which option, the federal tax credit or the Dependent Daycare Spending Account, is more advantageous for you.

Estimated Dependent Daycare Tax Credit

Estimated Eligible Dependent Care (Maximum amount $3,000 for one dependent, $6,000 for two or more dependents)	1.	$_____
Your Earned Income	2.	$_____
Spouse's Earned Income (if applicable)	3.	$_____
List on Line 4 the lower of Line 2 or Line 3	4.	$_____
List on Line 5 the lower of Line 1 or Line 4	5.	$_____
Add Lines 2 and 3. Based on this total income, select tax credit percentage from the table below. Enter this percentage on Line 6.	6.	$_____

Dependent Care Income			Tax Credit Table Tax Credit %	
$ 0	-	15,000	35%	(.35)
15,001	-	17,000	34%	(.34)
17,001	-	19,000	33%	(.33)
19,001	-	21,000	32%	(.32)
21,001	-	23,000	31%	(.31)
23,001	-	25,000	30%	(.30)
25,001	-	27,000	29%	(.29)
27,001	-	29,000	28%	(.28)
29,001	-	31,000	27%	(.27)
31,001	-	33,000	26%	(.26)
33,001	-	35,000	25%	(.25)
35,001	-	37,000	24%	(.24)
37,001	-	39,000	23%	(.23)
39,001	-	41,000	22%	(.22)
41,001	-	43,000	21%	(.21)
43,001 and up			20%	(.20)

Multiply the amount on Line 5 by the percentage on Line 6 and write in Line 7.
This is your estimated maximum dependent care tax credit. 7. $_____

DEPENDENT DAYCARE SPENDING ACCOUNT WORKSHEET 2

Savings Utilizing Dependent Daycare Spending Account

Estimated cost of dependent care: (See limits above) 8. $_____

Based on total earned income, (Line 2 plus Line 3), select appropriate tax bracket from table below. Enter % here: 9. $_____

Simplified Marginal Tax Table*

	Estimated Federal/FICA Taxes		
Total Earned Income	Single	Head of Household	Married
$0-$5,000	20.65%	20.65%	20.65%
$5,000 - $10,300	22.65%	22.65%	22.65%
$10,300-$17,000	27.65%	27.65%	22.65%
$17,000 - $23,550	28.40%	28.40%	23.40%
$23,550 - $33,960	28.40%	28.40%	28.40%
$33,960 - 72,150	38.40%	38.40%	28.40%
$72,150 - $79,725	38.40%	38.40%	38.40%
$79,725 - 102,000	41.40%	41.40%	38.40%
$102,000 - 137,850	37.20%	37.20%	34.20%
$137,850-$166,500	37.20%	37.20%	37.20%
$166,500-$207,700	42.20%	42.20%	37.20%
$207,700-$359,650	42.20%	42.20%	42.20%
$359,650-$365,100	44.20%	44.20%	42.20%
$365,100+	44.20%	44.20%	44.20%

*Based on 2008 tax rates

Multiply Lines 8 and 9 and write in Line 10. This is your estimated savings using a Dependent Daycare Spending Account 10. $_____

Which is better? Compare your estimated savings on Line 7 (the tax credit) with line 10 (the reimbursement account). Consult your tax advisor or the Internal Revenue Service if you need further clarification.

REIMBURSEMENT ACCOUNT QUALIFYING STATUS CHANGE EVENTS FOR ENROLLMENT ELECTION

	Changes Allowed		
Employee (Non-Participant) Events	**Enroll**	**Increase**	**Decrease**
Marriage of employee	X		
Divorce of employee	X		
Birth, Adoption or obtaining of legal guardianship by employee	X		
Start Leave Without Pay (31 days) employee			
Return from Leave Without Pay (31 days employee) Current plan year only, if previously enrolled	X		
Change in FTE by employee			
Change in FTE by employee's spouse Allows to enroll in day-care only	X		
Termination of employee's spouse's employment Allows to enroll in medical only	X		
Return from suspension or layoff of employee	X		
Participant Events			
Marriage of participant		X	X
Divorce of participant		X	X
Birth, Adoption or obtaining of legal guardianship by participant		X	
Dependent becoming ineligible due to attained age (13) or tax ineligibility			X
Start Leave Without Pay (31 days) participant			X
Return from Leave Without Pay (31 days) participant		X	
Change in FTE by participant		X	X
Change in FTE by participant's spouse		X	X
Termination of participant's spouse's employment Allows change to medical only		X	X
Return from suspension or layoff of participant		X	X

Disenrollment from either account is effective by decreasing the annual election to the current contribution amount. **This is not considered termination of participation.**

Termination of participant's employment, retirement, suspension, or layoff are not qualifying events to change annual election(s).

TOPICS & TIPS FOR REIMBURSEMENT ACCOUNT

Clarke County is pleased to offer its employees tax-saving benefit options through the Clarke County Flexible Benefits Plan. The Health Care (or Health Saving Account) and Dependent Daycare Spending Account options provide the employee with the opportunity to pay for out-of-pocket expenses using pretax funds. The annual election amount the participant chooses during the enrollment period is deducted from their gross salary prior to taxes being computed, thus reducing their taxable income and increasing their spendable income.

Documentation Requirements

The Plan, as provisioned under Internal Revenue Code, Section 125, must require specific receipt documentation for all expenses that will be reimbursed.

For medical expenses that are covered by any type of insurance, a statement for the insurance provider indicating the patient's financial responsibility for the service is required. For expenses not covered by any type of insurance, a third party receipt (or bill) indicating the patient's name, provider's name and address, type and date of service and the expense, is required as documentation.

Currently, provider signature may replace the need for other proof of service. See the instructions attached to the claim form for further instructions.

For dependent daycare expenses, the receipt documentation must include the following elements: (1) the provider's name, (2) address, (3) tax I.D. or Social Security number, (4) the dependent's name, (5) date(s) of service, (6) and the expense. The provider's original signature must be on the receipt.

Common Documentation Problems

To protect the tax-free status of participant funds, the Plan is specific about required documentation. The following are examples of often filed documentation that **CANNOT** be used to validate the eligibility of claims for reimbursement:

- Daycare receipts that do not contain all 6 elements of information and an original provider signature;
- Medical receipts that reflect "Paid on Account";
- Medical statements indicating "estimated patient responsibility";
- Cash register or credit card receipts;
- Copies of canceled checks;
- Photocopies that are not legible or cut off essential information.

Claim Form Completion

The Reimbursement Account Claim Form is located at http://takecarewageworks.com/ee/ee_fac.html

Reimbursement Exceptions

A part of the reimbursement process is matching expenses to date of service and usually is a very clear and simple process. However, there are exceptions in the expense-date relationship for orthodontic and obstetric related expenses.

These two types of services often require provider payment methods such as down payments, records fees, lump sum payment for services that will be given in the future, etc. In these cases, the Plan must allocate reimbursement dollars for services and spread these reimbursements over the length of the time the services are rendered. While the participant might pay the provider a lump sum amount, the Plan cannot make a lump sum reimbursement unless, of course, the claim is filed after the completion of the services and only for the portion of services that took place in a given Plan Year Period.

For Orthodontic related expenses, the participant may file claims and be reimbursed using one of two methods:

Method one: Initially reimburses up to 10% of the total contracted amount, followed by equal monthly payments for the remainder of the services/expenses.

Method two: Level monthly reimbursements throughout the duration of services.

For Obstetric related expenses, the Plan is able to reimburse in one of these two ways:

Method one: Reimburse billed services as they occur. Any remaining expenses may be reimbursed upon delivery.

Method two: Lump sum reimbursement after delivery.

Claims Filing Deadline Date

Each Plan Year (July 1 through June 30) has a designated claim-filing deadline of September 30. This means that all claims for expenses incurred during an employee's participation must be received by Wage Works by September 30 in order to be considered for processing. Any claims received after that date will be returned to the participant unprocessed regardless of account balances. We encourage participants to file claims as soon as the service is rendered and the required documentation is obtained.

The Internal Revenue Code provisions governing the Plan indicate that if there is an unused balance in a participant's account for which no expenses are incurred, the funds are forfeited. This "use it or lose it" rule must be enforced by the Plan to continue as a tax-free benefit option. Also, for a participant that has both accounts, if there are excess expenses for one account that has no balance, the Plan cannot allow a "shift" of funds from the other account so the participant can use it. Each account is separate from the other. For the plan year ending June 30, 2015, new IRS regulations allow you to carry over a balance of $500 or less in your Health Care Spending account to the new plan year. Any balance greater than $500 will still be forfeited at the end of the plan year.

Eligible and Ineligible Expenses

The following are examples of the most common expenses filed for reimbursement:

Health Care Spending Account

To be eligible, these expenses must be medically necessary and prescribed by your physician.

Eligible Expenses – Office visit co-payments; dental visit payments or co-payments; vision care, glasses, contact lenses; insurance plan deductibles; hearing aids and batteries; orthodontia; prescription drugs (non-cosmetic).

Ineligible Expenses –Expenses which are cosmetic in nature: Teeth bleaching/veneering, Rogaine/Retin-A; club (fitness) or organizational dues (in most instances); warranty fees (eyeglasses).

Daycare Spending Account

To be reimbursable, the expenses must be for daycare services which are required to allow both you and your spouse to be gainfully employed and participation amounts are dependent upon the lesser of the two household incomes.

Eligible Expenses – Daycare; registration fees; summer camp (non-tutorial, no overnight); before and after school care (non-tutorial); under the age of thirteen; elderly dependents.

Ineligible Expenses – Dues or memberships; supplies, meals, insurance or transportation fees; late payment charges.

The listings above are not complete listings. As a general rule, the medical expenses a person is allowed to file on IRS Form 1040 Schedule A (see IRS Publication 502) are eligible for reimbursement under this Plan. For day-care expenses, the same general rule applies to the filing of IRS Form 2441 (See IRS Publication 503).

For further information on participation or accounts, please contact the finance department at 955-6170 or 955-6173.

Additional resources for the Flexible Spending Account can be found at

http://takecarewageworks.com

Additional resources for Health Insurance can be found at

http://www.thelocalchoice.virginia.gov